LEGISLATIVE SERVICES AGENCY

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FISCAL IMPACT STATEMENT

LS 6431 **NOTE PREPARED:** Dec 29, 2011
BILL NUMBER: HB 1228 **BILL AMENDED:**

SUBJECT: Logistics development incentives.

FIRST AUTHOR: Rep. Reske **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill authorizes a county to adopt an ordinance providing a temporary exemption from the wheel tax and from the commercial vehicle excise tax (CVET) for vehicles owned and used in the operation of twenty-first century logistics enterprises at certain locations.

The bill limits the exemptions to vehicles owned and used at a new logistics enterprise or in the expansion of the fleet of an existing logistics enterprise. It allows exemptions for certain registration years beginning after December 31, 2012, and ending before January 1, 2018. The bill requires the Indiana Economic Development Corporation (IEDC) to certify the owner's eligibility for an exemption.

Effective Date: July 1, 2012.

Explanation of State Expenditures: The IEDC would have additional duties under this bill to verify that a vehicle owner is eligible to receive the exemptions and to issue certificates of eligibility.

The Bureau of Motor Vehicles (BMV) would incur minimal administrative costs related to exemption of certain vehicles from the Wheel Tax and CVET (for intrastate vehicles). The fund affected is the Motor Vehicle Highway Account, which supports the BMV.

In addition, the Department of State Revenue (DOR) administers CVET as it relates to interstate vehicles and would also incur minimal administrative costs related to exemption of certain vehicles from CVET. The DOR is funded from the state General Fund.

Explanation of State Revenues: The state currently captures just under one-third of CVET, Financial

Institutions Tax, and Motor Vehicle Excise Tax, as part of the state's assumption of funding county welfare and general school operations. If the new qualified vehicles are exempt for five years under this bill, the state's portion of CVET attributable to those vehicles would be foregone for those exemption years.

Explanation of Local Expenditures:

Explanation of Local Revenues: *CVET and County Wheel Tax:* Under this proposal, certain motor vehicles owned by a twenty-first century logistics enterprise could be temporarily exempted by the county fiscal body from the county wheel tax and the CVET if the enterprise is located in a qualified location. Qualified locations under the bill would include all brownfields, and also sites that are no more than three miles from an interstate highway or a state highway, an airport, a port, a freight railroad depot, a railroad yard, a classification yard, an intermodal port, or a commuter rail station.

The county fiscal body would have to pass an ordinance between July 1, 2012, and October 30, 2012, inclusive, for exemptions in 2013, 2014, 2015, 2016, and 2017. The exemption would be available only for vehicles that are either (1) used at a qualifying enterprise that begins operations at the location after December 31, 2012, or (2) purchased after December 31, 2012, as part of a fleet expansion by an existing qualifying enterprise.

County Wheel Tax: In CY 2010, 47 counties imposed the Surtax/Wheel Tax and generated $7.1 M in Wheel Tax (and $62.0 M in Surtax). Wheel tax rates range from $5.00 to $40.00 per vehicle. Wheel Tax is distributed to the county unit and each city and town in the adopting county. The revenue is used for road and street construction and maintenance.

Currently, if additional commercial vehicles are registered in a county that imposes the Wheel Tax, then the additional commercial registrations would generate additional wheel tax. If the new qualified vehicles are exempt for five years under this bill, then the additional wheel tax would be foregone for those exemption years.

CVET: Under current law, the amount of CVET collected in a fiscal year is distributed in the following calendar year to each taxing unit based on each unit's pro rata portion in 2001. The CVET tax rate is calculated by dividing the amount needed to make the unit distributions by the commercial vehicle registration fees paid in the previous year. The rate is applied to current registrations to generate the current-year CVET liability for each vehicle.

The CVET rate should stay fairly flat year to year. Changes in CVET revenue are tied to changes in registration fees paid. New commercial registrations generate additional CVET revenue. If the new qualified vehicles are exempt for five years under this bill, the CVET attributable to those vehicles would be foregone for those exemption years.

The exemptions from the Wheel Tax and CVET would be a local decision.

State Agencies Affected: IEDC; BMV; DOR.

Local Agencies Affected: Counties, cities, and towns.

Information Sources:

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